

EXHIBIT 8  
DATE 3-19-09  
HB Housing Summit

## Hearing on the State of Housing

House Local Government Committee

TESTIMONY FROM REPRESENTATIVES OF THE BILLINGS COMMUNITY  
MARCH 19, 2009

# Hearing on the State of Housing

## House Local Government Committee

### Twyla Best, REALTOR®, Montana Real Estate Brokers

In real estate, many factors can contribute to the health and stability of the housing market. The obvious factors are interest rates, borrowing power and housing inventory. Some of the less obvious factors are weather conditions and the political climate. *Right now in Billings, Montana, the number one factor hindering our industry is the national media.* Buyer confidence decreases every time a story runs on foreclosures in Michigan or a building moratorium in Florida.

The truth is, now could not be a better time to buy in Billings. Interest rates are at historic lows, first-time homebuyers can now receive an \$8,000 tax credit and the housing inventory is flush for buyers. Billings always has been a community of slow, steady growth and there is no sign of that waning. New businesses continue to come into the city, creating jobs and a demand for housing. Billings is in a constant state of road construction, which keeps our workforce busy and improves our infrastructure to support the growth.

While the Montana Legislature may not have a direct impact on buyer confidence, it does have an effect on our ability to supply varying levels of housing for those in our community. *We must ensure that government programs and regulations do not contribute to driving the prices of homes out of the reach of those who wish to own a home.* Locally, REALTORS® and developers are working with City and County government to keep regulations and fees low — without sacrificing infrastructure — to better meet the needs of those making 80 to 120 percent of the median income. These families need homes in the \$130,000 to \$180,000 range, while *the average sales price in our market for 2004 was \$144,559<sup>1</sup>.* We feel empowering local governments to address these issues is a better approach than blanket policies that could hinder the effectiveness of government and perhaps inadvertently drive up housing prices.

In Billings, we are proud that we have government officials, business leaders and private citizens willing to work together for the greater good of our community. We will continue to do so to address Billings' housing needs.

We appreciate the House Local Government Committee's willingness to allow the Billings housing community to voice our perspective on the state of housing.

<sup>1</sup> Billings Association of REALTORS®, Inc. Multiple Listing Service

**Dave Mumford, Director, Public Works Department, City of Billings**

The City of Billings and development community are proud of our working relationship. Both groups have worked hard to build trust and respect for each other's opinions and needs. We have a common goal of developing a sustainable community that everyone can be proud of.

In the mid 1980s when Billings initiated its first System Development Fees (SDF) for water and wastewater, there was controversy and disagreement. We learned from this experience and in 2003 when the City of Billings began a reevaluation of the water and wastewater SDFs, we asked the development community to help us. This was done not because of state regulations, but because it was the right thing to do. We continued the cooperative process in 2008 by reviewing the SDFs to ensure they reflected actual costs and changes in the building industry.

Our relationship extends beyond SDFs. We are engaged in discussions on building reviews, platting, design standards, and creating affordable housing. The City of Billings has long recognized that for the community to grow and prosper the city must maintain and expand its infrastructure.

Four years ago the Billings City Council requested a new method of financing roadway infrastructure. As with most Montana communities, roadway improvements were funded through Special Improvement Districts. Property owners that are adjacent to a roadway were asked to finance the improvements. The City Council established a committee with representatives of the REALTORS® Association, Homebuilders Association, community leaders, Council members, and staff to evaluate options. Through the committee, two documents were eventually approved – an SID Policy and an Arterial Construction Fee.

The SID Policy made two very distinct changes to past practice. SID costs could only be assessed against properties that were addressed to the roadway and that property owners were responsible for the design and construction of curb and gutter, sidewalk and one lane of asphalt. The premise is that all additional lanes are for through traffic and the responsibility of the community and that since a property owner has made their requested improvements, future roadway improvements were the community's responsibility. To fund these improvements, the City of Billings passed the Arterial Construction Fee that assesses all property based on zoning and square footage. The fee correlates zoning and footage to a generic trip generation for the type of use. This fee was supported in the community and has allowed Billings to construct and reconstruct several arterial roadways.

The City of Billings would request the State Legislature recognize that all communities are not the same. Billings is not immune to the national financial situation, but because of sound financial building practices, innovative builders and REALTORS® we are doing well and growing. What we need is laws that recognize community differences and allow us flexibility to work with the development community to grow and prosper.



## Rick Leuthold, President, Sanderson Stewart

Being a leader in providing engineering services to public and private development throughout the region for 25 years has allowed me unique insight into changes that have been both beneficial and detrimental to the housing markets. Fortunately we are in an area that has continued to benefit from a growing diversity in businesses, working quality of life and traditionally sound economic conditions. People and businesses continue to want to relocate to our communities where they can find value in the fundamentals that shape their lives. This spurs the kind of growth that I believe will help Montana lead our nation out of our current economic recession.

As you are aware, much of what you do, or don't do here in Helena has a direct impact on our ability to address and embrace this growth. We applaud your efforts and want to work with you in understanding the challenges that we face and implementing solutions to those challenges. The following outlines some of the biggest hurdles facing our clients in today's markets and some thoughts on what could be done to address them.

### Costs to Developer

As with every part of our lives, the costs to bring new housing to market continue to rise. Land prices escalate as do the materials and labor to bring water, sanitary sewer, storm drain and streets to new subdivision. Twenty years ago, we estimated the cost to cover these improvements at approximately \$1.35 per net lot square foot (sf) or about \$13,500 on a 10,000 sf lot. Today we see these prices pushing \$4.00 and \$5.00 per net sf on 6,500 sf lots. This equates to improvement costs that can now push \$35,000 per lot. I have attached two recent estimates on current projects for you to review. One is a greenfield subdivision (Attachment A: Trails West) in west Billings using traditional financing mechanisms and the other is an infill subdivision (Attachment B: Parkland West) that may be using Special Improvement District bonds for financing. You can see how difficult bringing affordable single family housing to the market can be when you must deal with costs of this magnitude.

Much of the increase in these costs comes from the added requirements that are placed on these developments. Subdivisions today must deal with arterial road along with trunk water and sewer extensions. Parks must now have handicap accessible play equipment instead of a sand box, swing set and picnic table for neighborhood kids. These costs can be manageable on large projects (300 lots or more), but because of the current economics, they can easily tip over a smaller subdivision (30 lots or fewer). Billings has been quite creative in assisting with these challenges through the use of system development fees and arterial street fees. These help with greenfield developments but do little to help incentivize brownfield and infill developments. A good example of this is the public-private partnership that constructed King Ave. West from 32<sup>nd</sup> Street West to Shiloh Road. This \$5,000,000 project has to date helped catalyze nearly a \$100,000,000 in new commercial activity at the Shiloh Crossing commercial development.

### Cost to Serve

Another ongoing concern is the ever increasing cost to serve these new developments. Since there are few programs to incentivize denser infill projects, many people look to cheaper land and new greenfield



subdivisions on the outer limits of the community. This type of growth continues to strain ever-shrinking City budgets. And without incentivizing infill while trying to reduce this spread of development, the subdivisions will simply move to the county where restrictions are less cumbersome and impacts to the environment are greater.

So how do we solve these issues... Stop Growth? No, I think not! One thing that most everyone has recognized is that our continued viability is directly tied to our ability to grow. With companies like GE, Berry Y&V, Cabela's, Bresnan and the like looking to hire a thousand people in the next 12 to 24 months, we must come to grips with our funding issues. In order to do this we need to be flexible and review all of the options available and create new alternatives to the way we currently do housing.

Billings is the largest urban center in the state and has done an excellent job in fostering the right kind of growth with the tools that we have. Unfortunately, it seems like those tools are very limited at times. And now more than ever, we need to embrace the changes taking place in the industry and move quickly to adopt new financing mechanisms and incentives in order to foster the type of sustainable development our community needs. This means incentives for higher density, infill developments. Allowing a city governing body like the City of Billings greater latitude, instead of less, in the application of creative financing mechanisms like Tax Increment Financing Districts and special fee zoning. Currently, Tax Increment Financing is one of the only options available to draw significant projects back into the City where you can concentrate development, reduce costs of service, offset costs to develop and improve entire neighborhoods all at once. We need your help to simplify the approval and hearing processes rather than allowing the vocal minority to throw the baby out with the bath water.

The City of Billings is a strong and capable community ready to lead as we climb from this recession. But we must continue to have the ability to incentivize and direct our growth in the best possible way. We are grateful for the opportunity to work with our legislative leaders in addressing these things and together we will work toward affordable, sustainable projects that will keep the dream of home ownership alive and well in Montana.



## Greg McCall, Developer, McCall Homes

While we have all heard horror stories about the housing market in other areas of the country, when it comes to housing, it's important to remember that all markets are local. For anyone looking to purchase a home in the Billings community, that is great news. Billings is ranked as the third best housing market in the country, according to HousingWire.com. In fact, Billings is one of only 16 markets expected to see a positive appreciation in housing values this year.

According to an article in MSN Money, all but 87 of the 292 metropolitan areas tracked by the housing agency found that prices dropped at least somewhat year over year. On a five-year basis, though, just 26 metro areas are in negative territory, mostly from economically devastated Michigan and now-deflated inland areas of California. The housing agency's indexes track average price changes in repeat sales or refinancing of the same single-family properties, based on 36 million repeat transactions over the past 34 years. Billings is again at the top of the list, ranked the 11th best housing market out of 292 cities in the United States.

In its efforts to stimulate the economy and revive the housing market, Congress has enacted legislation providing a tax credit of up to \$8,000 for first-time home buyers. But time is of the essence for buyers who want to take advantage of this opportunity. Only homes purchased on or after January 1, 2009, and before December 1, 2009, are eligible.

All of that is good news. But will it work? Will a first-time home buyer tax credit work to pull our country and our state out of this economic nose dive? Will it spur new construction and create new jobs? It must be utilized for any of the intended benefits to happen.

As a builder and developer in our great state, we see a couple of major problems and this is where you can help. As a nation, we have placed a good deal of hope in a very small part of the buying demographic. These first-time home buyers by definition have the least amount of experience when it comes to buying homes; they are nervous, concerned and have very little confidence. It is now harder than ever for a young buyer to be qualified, in many cases, simply because they have not had enough time to establish credit.

Lenders have tightened up policies regarding the definition between speculative new construction and pre-sold new construction making it more difficult for builders to get these buyers into new homes. A qualified first-time home buyer often needs the assistance of state and local programs for down payment assistance. Without wide availability of these programs, we are limited to building speculatively for these buyers, which is exactly what lenders do not want us to do. On the other hand, without deposit money upfront, lenders do not want to qualify these buyers as pre-sold purchasers. This year, while we have the benefit of the \$8,000 tax credit, we need to have funds available either at the closing/possession and/or at the time of contract for pre-sold construction. The tax credit should be the tool to get the job done and not an afterthought bonus.

While our communities sit in what seems to be the best position in a recovering housing market, we must find an avenue to help first-time home buyers take advantage of the stimulus their government intended for them. Unfortunately our great tool, the tax credit, seems to be out of reach for most of the people it was intended to help.



**Scott Sanders, Vice President, Commercial Real Estate, First Interstate Bank**

Homebuilders, real estate professionals, REALTORS® and bankers have remembered the experiences of the 1980s recession in Yellowstone County. For the most part, the economic slowdown that has occurred in our county - and primarily due to collapse in unsustainable real estate booms in many parts of the country - has passed our community. We do not have an oversupply of residential lot inventory, nor do we have a lack of affordable housing.

The sub-prime mortgages that were the mortgage of choice in states such as California were not a popular loan product with homeowners in the Rocky Mountain West. As a result, Montana, Wyoming, North Dakota, and South Dakota enjoy the lowest foreclosure rate in the United States - less than one-half of one percent (0.05%). (Attachment C)

First Interstate Bank services more than 18,000 mortgages in Montana and Wyoming. Our foreclosure rate is 0.27 percent. Only seven chapters are currently in foreclosure in Yellowstone County.

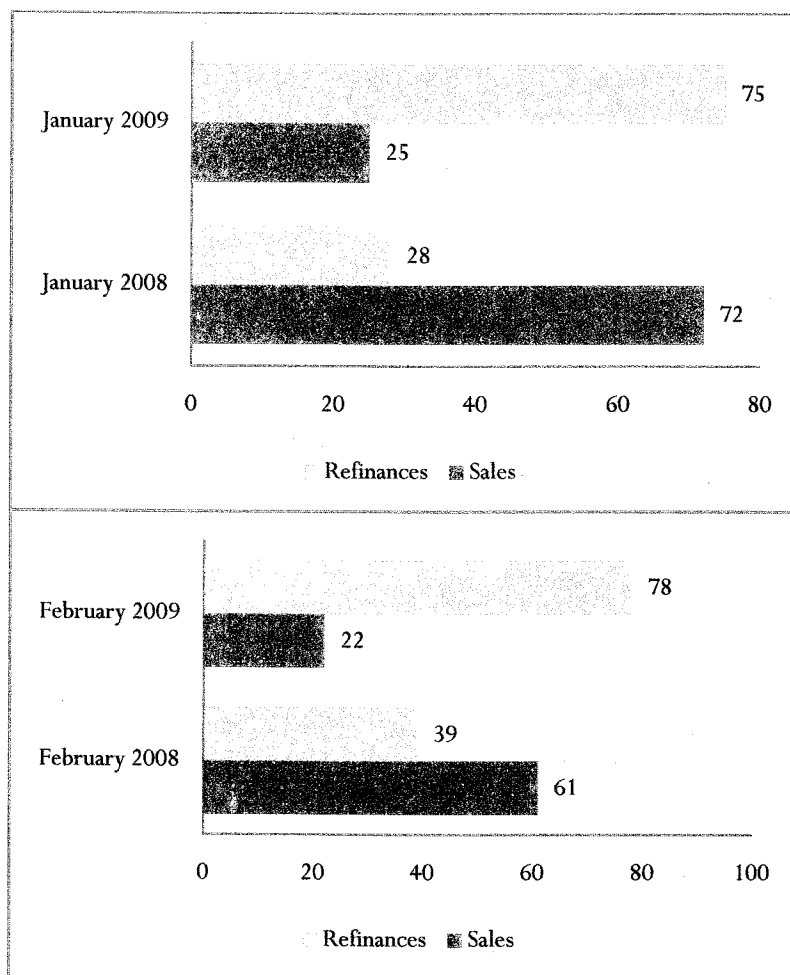
While the decline in home prices has also been a reality for the country, Montana has fared much better. Fannie Mae reports globally, the state of Montana has seen a 3.8 percent decline in home prices in contrast to the national average of 8.9 percent. Yellowstone County saw 2 percent price appreciation in 2008 and has only recently seen modest downward pressure on home prices. Keep in mind, Yellowstone County did not experience the rapid and unsustainable price appreciation that much of the country and other parts of Montana experienced. (Attachments D, E and F)

Overall, the Yellowstone County housing market continues to fare quite well in contrast to the rest of the country.

### Jennifer Smith, American Title & Escrow

While we hear how bad things are all across the country, Yellowstone County, Montana, is doing pretty well. The Title Insurance Industry is intimately tied to the real estate and lending communities. Interest rates, homes sales, refinances and foreclosures all directly affect our business. Over the past year, American Title & Escrow has seen our closings flip-flop in scope and type:

Percentage of Closing Types  
American Title & Escrow



Revenue-wise, a refinance closing brings in approximately one-half the dollar volume of a sale transaction. As you can see, the percentage of sales has decreased significantly from 2008 to 2009 – but the good news is: sales are on the rise.

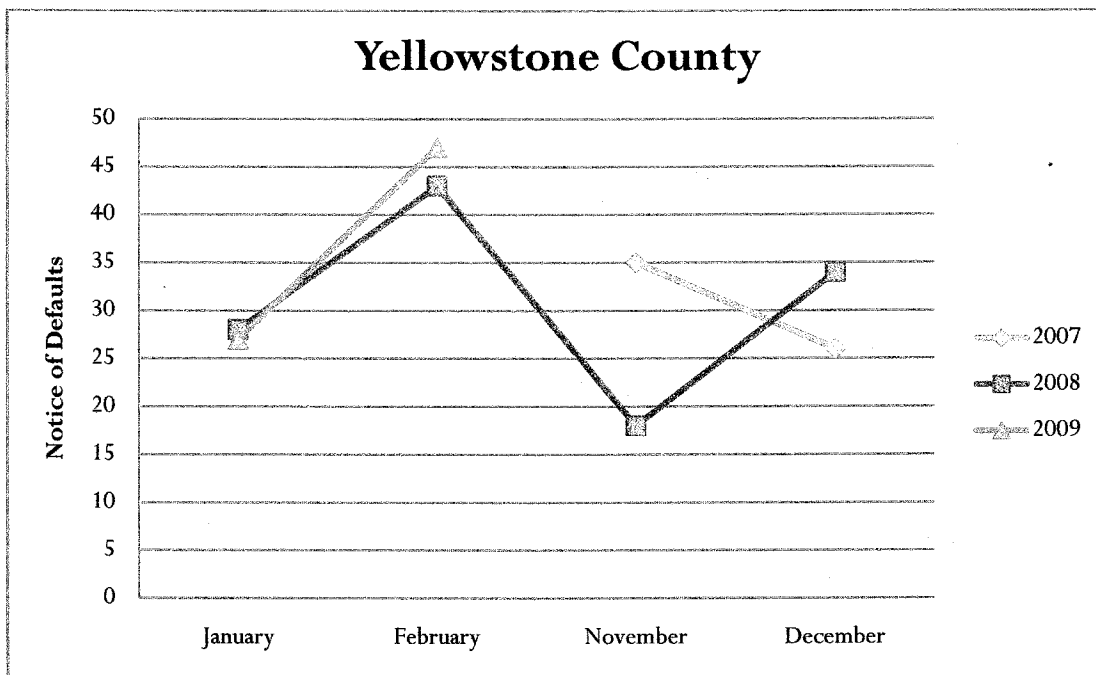
In November of 2008 (before the “refi boom” hit), the percentage of orders placed with our company constituting a sale transaction was 27.6 percent. In December of 2008 (full refinance boom swing), the percentage of orders constituting a sale transaction was 17.4 percent. In January, the percentage of sales



orders placed with our company dropped yet again to 15.3 percent. Now for the good news: the sales orders placed in February accounted for 25.7 percent of our total orders for the month and March is shaping up to be even better - 30.7 percent of our sales orders through March 13, are for sale transactions. Billings is waking up and home sales are on the rise.<sup>2</sup>

We also hear about the foreclosure rate skyrocketing across the country and across Montana. This is just not the case in Yellowstone County. The number of loans going into foreclosure has not significantly increased over the past few months.

During the months of November and December of 2007 and January and February of 2008, Yellowstone County saw 132 Notice of Defaults recorded; during the same months in 2008 and 2009, Yellowstone County saw 126 Notice of Defaults recorded. We just have not seen a huge increase in foreclosures - not yet are expecting to see one.



<sup>2</sup> American Title & Escrow



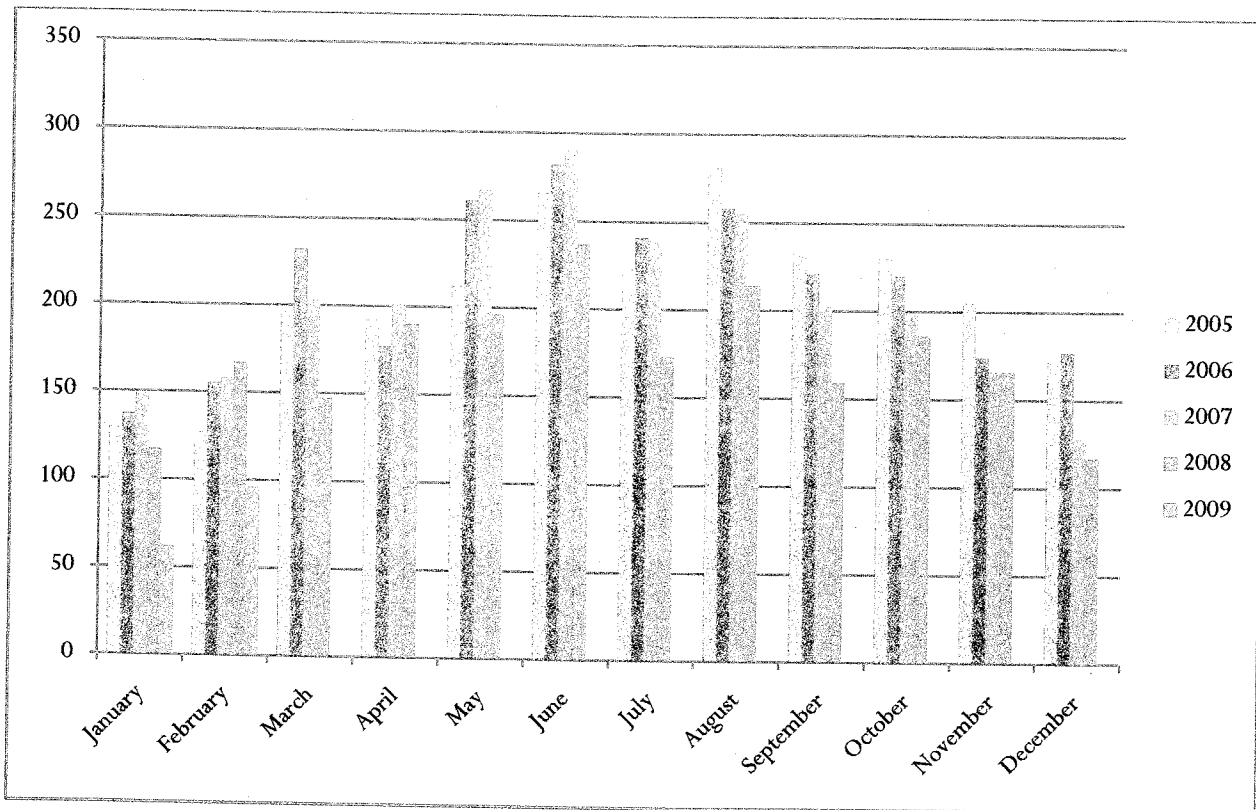
## Rod Wilson, REALTOR®/Developer, Wilson and Wilson "The Real Estate Firm"

Statistically, the average number of home listings for the last five years was 5,162 while the number of home listings for 2008 was 4,041, which is a 22 percent decline in the number of listings.

In 2008, the percent of homes listed versus the percent sold was 52.34 percent, while the average for the last five years was 55.88 percent. The average over the last 10 years was 56.4 percent. The decline in percent listed versus percent sold was only about 3.5 percent, indicating stability in our market place.

Historically, sales in Billings are higher in the spring and summer months, but the weather also has an effect, but tends to balance out over the year.

### Residential Sales by Month Billings Association of REALTORS® Multiple Listing Service



In comparing the first two months of 2009 versus 2008, it is difficult to establish a trend. Data so far indicates a slowing of sales and a decline in new construction building permits. The average sales price thus far in 2008 compared to the same time last year indicates a 0.9 percent increase in average price.<sup>3</sup>

<sup>3</sup> Billings Association of REALTORS® Multiple Listing Service

## Billings Association of REALTORS® Multiple Listing Service

Period Listed	Number of Listings	Percent Change	Number Closed	Dollar Volume Closed	Percent Change	Percent Listed vs. Percent Sold	Average Sales Price	Percent Change
1998	4,282		2,156	\$205,866,333		50.35%	\$95,485	
1999	4,113		2,227	\$227,022,675		54.15%	\$101,941	+7
2000	3,951		2,299	\$243,142,686		58.19%	\$105,760	+4
2001	4,023		2,367	\$266,346,904		58.84%	\$112,525	+6
2002	4,147		2,274	\$280,441,720		54.83%	\$123,325	+10
2003	4,380		2,576	\$342,194,110		58.81%	\$132,839	+8
2004	4,559	+6	2,637	\$383,726,221	+20	57.84%	\$145,516	+8
2005	5,309	+15	3,080	\$498,780,161	+21	58.01%	\$161,942	+13
2006	6,023	+13	3,213	\$547,672,581	+10	53.35%	\$170,455	+5
2007	5,804	-4	3,109	\$566,181,430	+3	53.57%	\$182,110	+7
2008	4,041	-30	2,115	\$420,000,582	-26	52.34%	\$198,582	+9

Of course, overall economic growth in the surrounding area is a factor. The national economy influences buyer confidence. Montana real estate is local and Montana must do a better job of guarding our local and state-wide data from being rated, which will increase buyer confidence. Real estate in Billings is a good place for citizens to invest their money.

We hope that we have communicated how the community of Billings is working as a team to continue to grow and create stability and opportunity for its citizens. The state can institute measures to stimulate the national first-time homebuyer program and make it truly work as a stimulus. You have seen the financial picture of our area market; and how a community can work together to provide responsible and equitable infrastructure and create sustainable development.

Thanks for giving us the opportunity to present our facts, problems, opportunities and conclusion.





19-Feb-09  
Trails West  
05051.02

**Engineer's Opinion of Probable Cost  
For  
Trails West Subdivision**

**Phase I**

To Provide Sanitary Sewer, Water, Storm Drain & Street Improvements

Quantities Based on Preliminary Design Drawings

**ALL ITEMS ARE COMPLETE IN PLACE**

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
<i>Utility Improvements</i>					
100	1	LS	Mobilization and Insurance (10%)	@ \$33,909.00 / LS =	\$33,909.00
101	1	LS	Dewatering	@ \$10,000.00 / LS =	\$10,000.00
102	1	LS	Traffic Control	@ \$10,000.00 / LS =	\$10,000.00
103	2,240	LF	Pressure Sewer Pipe	@ \$39.00 / LF =	\$87,360.00
104	43	EA	1-inch Low Pressure Sanitary Sewer Service	@ \$1,100.00 / EA =	\$47,300.00
105	2,380	LF	8-inch Water Main	@ \$37.00 / LF =	\$88,060.00
106	16	EA	8-inch Gate Valve	@ \$1,245.00 / EA =	\$19,920.00
107	5	EA	8-inch Tee	@ \$750.00 / EA =	\$3,750.00
108	5	EA	8x8x6-inch Tee	@ \$400.00 / EA =	\$2,000.00
109	2	EA	8-inch Bend	@ \$350.00 / EA =	\$700.00
110	2	EA	8-inch Plug and Thrust Block	@ \$350.00 / EA =	\$700.00
111	5	EA	Pice Hydrant Assembly	@ \$3,700.00 / EA =	\$18,500.00
112	2	EA	Blow-off Hydrant	@ \$1,750.00 / EA =	\$3,500.00
113	43	EA	1-inch Water Service	@ \$1,100.00 / EA =	\$47,300.00
Subtotal - Utility Improvements					= \$372,999.00

# Attachment A

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
<b>Street Improvements</b>					
201	1	LS	Mobilization and Insurance (10%)	@ \$29,404.70 / LS =	\$29,404.70
202	1	LS	Storm Water Management & Erosion Control	@ \$1,500.00 / LS =	\$1,500.00
203	1	LS	Traffic Control	@ \$500.00 / LS =	\$500.00
204	3,568	CY	Unclassified Excavation - Streets	@ \$10.00 / CY =	\$35,680.00
205	2,699	CY	1 1/2-inch Base Gravel (12-inch section)	@ \$18.00 / CY =	\$48,582.00
206	160	CY	Temporary Gravel Emergency Access (12-inch section)	@ \$18.00 / CY =	\$2,880.00
207	12	EA	Accessibility Ramp - Includes Truncated Dome Panels	@ \$850.00 / EA =	\$10,200.00
208	7,075	SY	Asphalt Surface Course (3-inch Section)	@ \$12.00 / SY =	\$84,900.00
209	9	EA	Monument and Box	@ \$450.00 / EA =	\$4,050.00
210	3,415	LF	Curb and Gutter	@ \$11.00 / LF =	\$37,565.00
211	8	EA	Curb Return Fillet	@ \$750.00 / EA =	\$6,000.00
212	290	SF	3-foot Wide Valley Gutter	@ \$6.00 / SF =	\$1,740.00
213	4	EA	Nine-Button Delineator	@ \$350.00 / EA =	\$1,400.00
214	2	EA	Road Closed Sign	@ \$400.00 / EA =	\$800.00
215	7	EA	Street Name Sign with Post	@ \$400.00 / EA =	\$2,800.00
216	1	LS	Yellow Curb Paint	@ \$5,000.00 / LS =	\$5,000.00
217	1	EA	Stop Sign	@ \$400.00 / EA =	\$400.00
218	10,010	SF	8-Foot Wide Concrete Trail	@ \$5.00 / SF =	\$50,050.00
Subtotal - Street Improvements					\$323,451.70

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
<b>GRAND AVENUE - Sanitary Sewer Improvements</b>					
300	1	LS	Mobilization and Insurance (10%)	@ \$13,401.00 / LS =	\$13,401.00
301	1	LS	Dewatering (\$50.00/LF)	@ \$23,500.00 / LS =	\$23,500.00
302	1	EA	Connect to Existing Sanitary Sewer Manhole	@ \$2,000.00 / EA =	\$2,000.00
303	2	EA	Basic Sanitary Sewer Manhole	@ \$2,700.00 / EA =	\$5,400.00
304	30	VF	Extra Depth Manhole	@ \$125.00 / VF =	\$3,750.00
305	470	LF	18-inch Sanitary Sewer Pipe	@ \$95.00 / LF =	\$44,650.00
306	1	EA	18-inch Cap	@ \$550.00 / EA =	\$550.00
307	50	LF	8-inch Sanitary Sewer Pipe	@ \$45.00 / LF =	\$2,250.00
308	1	EA	8-inch Cap	@ \$300.00 / EA =	\$300.00
309	270	CY	Type II Bedding	@ \$21.00 / CY =	\$5,670.00
310	1,300	CY	Imported Backfill	@ \$15.00 / CY =	\$19,500.00
311	1	LS	Traffic Control	@ \$5,000.00 / LS =	\$5,000.00
312	670	SY	Asphalt Restoration	@ \$32.00 / SY =	\$21,440.00
Subtotal - GRAND AVENUE Sewer Improvements					\$147,411.00

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
<b>GRAND AVENUE - Water Main Improvements</b>					
400	1	LS	Mobilization and Insurance (10%)	@ \$9,231.00 / LS =	\$9,231.00
401	1	EA	Connect to Existing 16-inch Water Main Stub with 20x16 Reducer	@ \$4,500.00 / EA =	\$4,500.00
402	360	LF	16-inch Water Main Pipe	@ \$92.00 / LF =	\$33,120.00
403	2	EA	16-inch Butterfly Valve	@ \$5,400.00 / EA =	\$10,800.00
404	1	EA	16x16x8-inch Tee	@ \$2,800.00 / EA =	\$2,800.00
405	1	EA	16-inch Plug and Thrust Block	@ \$1,800.00 / EA =	\$1,800.00
406	30	LF	8-inch Water Main	@ \$35.00 / LF =	\$1,050.00
407	1	EA	8-inch Gate Valve	@ \$850.00 / EA =	\$850.00
408	1	EA	8-inch Plug and Thrust Block	@ \$350.00 / EA =	\$350.00
409	2	EA	Fire Hydrant Assembly	@ \$5,300.00 / EA =	\$10,600.00
410	1	LS	Traffic Control	@ \$5,000.00 / LS =	\$5,000.00
411	670	SY	Asphalt Restoration	@ \$32.00 / SY =	\$21,440.00
Subtotal - GRAND AVENUE Water Improvements					\$101,541.00

Total Construction Costs	=	\$945,402.70
Construction Contingency (15%)	=	\$141,810.41
Total Cost of Water Construction Improvements	=	\$1,087,213.11

# Attachment A

## Administrative Costs If Done By Private Contract

Platting and Geotechnical Investigation Report	=	\$55,000.00
Preliminary Engineering and Design (4%)	=	\$43,488.52
Final Engineering and Design (3%)	=	\$32,616.39
Field Staking (1.5%)	=	\$16,308.20
Construction Inspection and Quality Control (3%)	=	\$32,616.39
Construction Engineering and Management (2.5%)	=	\$27,180.33
Materials Testing (1.5%)	=	\$16,308.20
<b>Subtotal - Engineering and Construction Management</b>		<b>\$223,518.03</b>

## City Fees

City 2.5% Private Contract Fee	=	\$27,180.33
City Parks Contribution Fee	=	\$42,475.00
<b>Total City Fees</b>		<b>\$69,655.33</b>

## Total Estimated Project Costs Phase I\*

\$1,380,386.46

Total Lots Improved	=	43
Total Net Square Footage Improved (Lot Areas)	=	271,169
Total Gross Square Footage Improved (Lots, Park, and Street)	=	490,445
Estimated Cost Per Lot	=	\$32,102.01
Total Square Foot Cost (Net)	=	\$5.09

\* Estimate Does Not Include Private Utilities, Entry Signing, Landscaping, Irrigation, Internal Boulevard Walk, Lighting or Gang Mailboxes



26-Feb-08  
Parkland West Subdivision, 1st Filing  
26 Lots  
78170.106

**Preliminary Engineer's Estimate of Probable Cost  
For  
Portions of Parkland West Subdivision, First Filing  
SID No.  
To Provide Sanitary Sewer, Water, Storm Drain & Street Improvements**

ALL ITEMS ARE COMPLETE IN PLACE

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
<i>Utility Improvements</i>					
101	1	LS	Mobilization and Insurance (7%)	@ \$19,300.09 /LS =	\$19,300.09
102	1	EA	Connect to Ex. Sanitary Sewer Stub	@ \$1,800.00 /EA =	\$1,800.00
103	8	EA	Basic Sanitary Sewer Manhole	@ \$2,500.00 /EA =	\$20,000.00
104	45.3	VF	Extra Depth Manhole	@ \$85.00 /VF =	\$3,850.50
105	1,515	LF	8-inch SDR-35 PVC Sanitary Sewer Pipe	@ \$35.00 /LF =	\$53,025.00
106	26	EA	6-inch Sanitary Sewer Service	@ \$425.00 /EA =	\$11,050.00
107	840	LF	6-inch SDR-35 PVC Sanitary Sewer Service Pipe	@ \$32.00 /LF =	\$26,880.00
108	1	EA	Connect to Ex. 8-inch Stub	@ \$1,500.00 /EA =	\$1,500.00
109	1,410	LF	8-inch Water Main	@ \$32.00 /LF =	\$45,120.00
110	7	EA	8-inch Valve	@ \$1,000.00 /EA =	\$7,000.00
111	1	EA	8-inch Horizontal Bend	@ \$500.00 /EA =	\$500.00
112	1	EA	8-inch Horizontal 90 Bend	@ \$500.00 /EA =	\$500.00
113	4	EA	8-inch Vertical 90 Bend	@ \$500.00 /EA =	\$2,000.00
114	1	EA	8x6-inch Reducer	@ \$400.00 /EA =	\$400.00
115	3	EA	8-inch Plug & Thrust Block	@ \$650.00 /EA =	\$1,950.00
116	1	EA	8-inch Cross	@ \$650.00 /EA =	\$650.00
117	2	EA	8x6-inch Tee	@ \$450.00 /EA =	\$900.00
118	3	EA	Fire Hydrant Assembly	@ \$4,500.00 /EA =	\$13,500.00
119	2	EA	2-inch Blow Off Assembly	@ \$2,500.00 /EA =	\$5,000.00
120	26	EA	1-inch Water Service	@ \$1,000.00 /EA =	\$26,000.00

# Attachment B

ITEM NO.	EST. QTY.	UNIT	DESCRIPTION	UNIT PRICE	TOTAL PRICE
121	1	EA	Connect to Ex. 24-inch Storm Drain Stub	@ \$1,800.00 /EA =	\$1,800.00
122	2	EA	60-inch Storm Drain Manhole	@ \$3,000.00 /EA =	\$6,000.00
123	4.5	VF	60-inch Extra Depth Manhole	@ \$160.00 /VF =	\$720.00
124	550	LF	24-inch SDR-35 PVC Storm Drain Pipe	@ \$52.00 /LF =	\$28,600.00
125	5	EA	Type II Inlet	@ \$1,350.00 /EA =	\$6,750.00
126	155	LF	12-inch SDR-35 PVC Inlet Pipe	@ \$24.00 /LF =	\$3,720.00
127	1	LS	Stormwater Management & Erosion Control	@ \$3,000.00 /LS =	\$3,000.00
128	1	LS	Clear & Grub Ex. Storm Ditch	@ \$3,500.00 /LS =	\$3,500.00

Subtotal - Utility Improvements = \$295,015.59

## Surface Improvements

201	1	LS	Mobilization and Insurance (7%)	@ \$13,178.13 /LS =	\$13,178.13
202	1	LS	Storm Water Management & Erosion Control	@ \$3,000.00 /LS =	\$3,000.00
203	2,776	CY	Unclassified Excavation	@ \$6.00 /CY =	\$16,656.00
204	1,983	CY	1 1/2-inch Base Gravel (11-inch Section)	@ \$20.00 /CY =	\$39,660.00
205	5,510	SY	Asphalt Surface Course (3-inch Section)	@ \$11.00 /SY =	\$60,610.00
206	70	SF	Double Gutter	@ \$6.00 /SF =	\$420.00
207	2	EA	Curb Turn Fillet	@ \$650.00 EA =	\$1,300.00
208	15	SY	Monad Road Asphalt Restoration	@ \$12.00 SY =	\$180.00
209	64	LF	Remove Ex. Curb & Gutter	@ \$6.00 LF =	\$384.00
210	2,989	LF	Curb & Gutter	@ \$11.00 /LF =	\$32,879.00
211	8	EA	Accessibility Ramp	@ \$550.00 /EA =	\$4,400.00
212	8	EA	Truncated Dome Panel	@ \$180.00 /EA =	\$1,440.00
213	350	SF	Remove Ex. Walk	@ \$3.00 SF =	\$1,050.00
214	1	EA	Adjust Ex. Water Valve Box To Grade	@ \$350.00 /EA =	\$350.00
215	6	EA	Monument and Box	@ \$400.00 /EA =	\$2,400.00
216	440	LF	6-inch Conduit	@ \$28.00 LF =	\$12,320.00
217	2	EA	Road Closed and 9-button Delineator Signs with Posts	@ \$1,000.00 /EA =	\$2,000.00
218	1	EA	Remove Ex. Road Closed Barricade	@ \$500.00 /EA =	\$500.00
219	3	EA	(4) D3 9-inch Street Sign and Post	@ \$650.00 /EA =	\$1,950.00
220	1	EA	(4) D3 9-inch Street Sign w/ R1-1 30X30-Inch Stop Sign and Post	@ \$1,000.00 /EA =	\$1,000.00
221	230	CY	Temporary Gravel Turnaround (1 1/2-inch Base Gravel)	@ \$20.00 /CY =	\$4,600.00
222	1	GL	Epoxy Yellow Curb Paint	@ \$160.00 /GL =	\$160.00
223	1	LS	Traffic Control	@ \$1,000.00 /LS =	\$1,000.00

Subtotal - Surface Improvements = \$201,437.13

Total Construction Costs = \$496,452.72

Construction Contingency (10%) = \$49,645.27

Total Cost of Construction Improvements = \$546,097.99



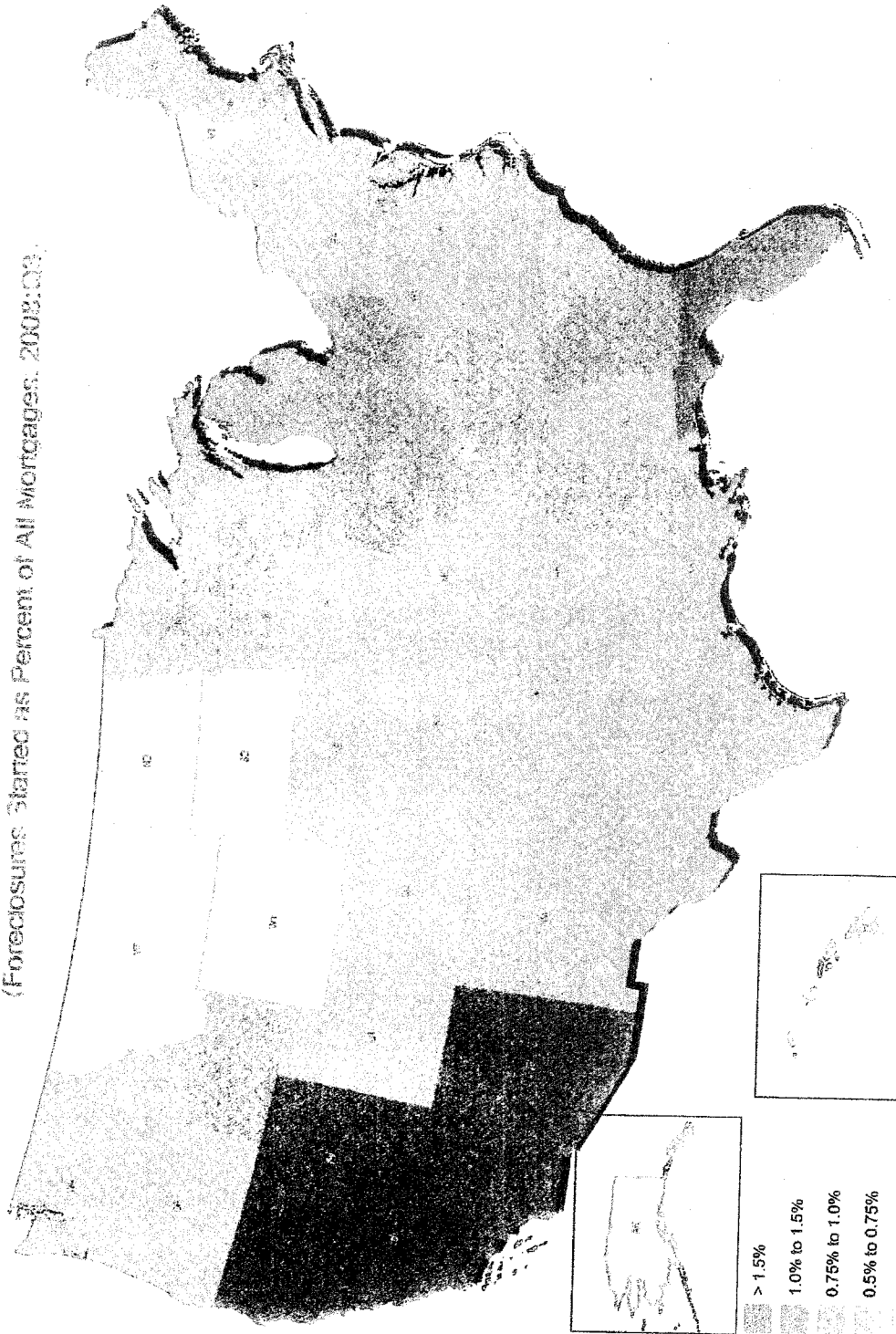
## Attachment B

<b>Administrative Costs</b>			
SID Creation Documents (lump sum)	=		\$3,000.00
Preliminary Engineering & Design (3.5%)	=		\$19,113.43
Final Engineering & Design (2%)	=		\$10,921.96
Construction Management & Inspection (4%)	=		\$21,843.92
Construction Staking (3%)	=		\$16,382.94
Quality Control Testing (1%)	=		\$5,460.98
<b>City SID Administrative Costs</b>			
Finance (2.5%)	=		\$13,652.45
Engineering (3.5%)	=		\$19,113.43
Advertising/ Miscellaneous Discount (2.0%)	=		\$10,921.96
Issuance Costs (3.0%)	=		\$16,382.94
Bank Fee (\$350 set-up; \$250 annually)	=		\$4,100.00
Revolving Fund (5.0%)	=		\$27,304.90
<b>Review Fees</b>			
DEQ Sewer & Water Checklist Review Fee		26 Lots	=
			\$1,560.00
<hr/>			
<b>Total Administrative Costs &amp; Fees if all by SID</b>	=		\$169,758.91
<b>Total Administrative Costs &amp; Fees if all by private contract</b>	=		\$91,935.68
(includes standard admin costs + DEQ fee + City 2.5% private contract fee)			
<hr/>			
<b>Cost per Lot - SID</b>	=		\$27,532.96
<b>Cost per Lot - Private Contract</b>	=		\$24,539.76

# Top Regions (Plus National) Continue to Experience High Foreclosure Rates

As of September 30, 2009

(Foreclosures started as Percent of All Mortgages, 2002-09)

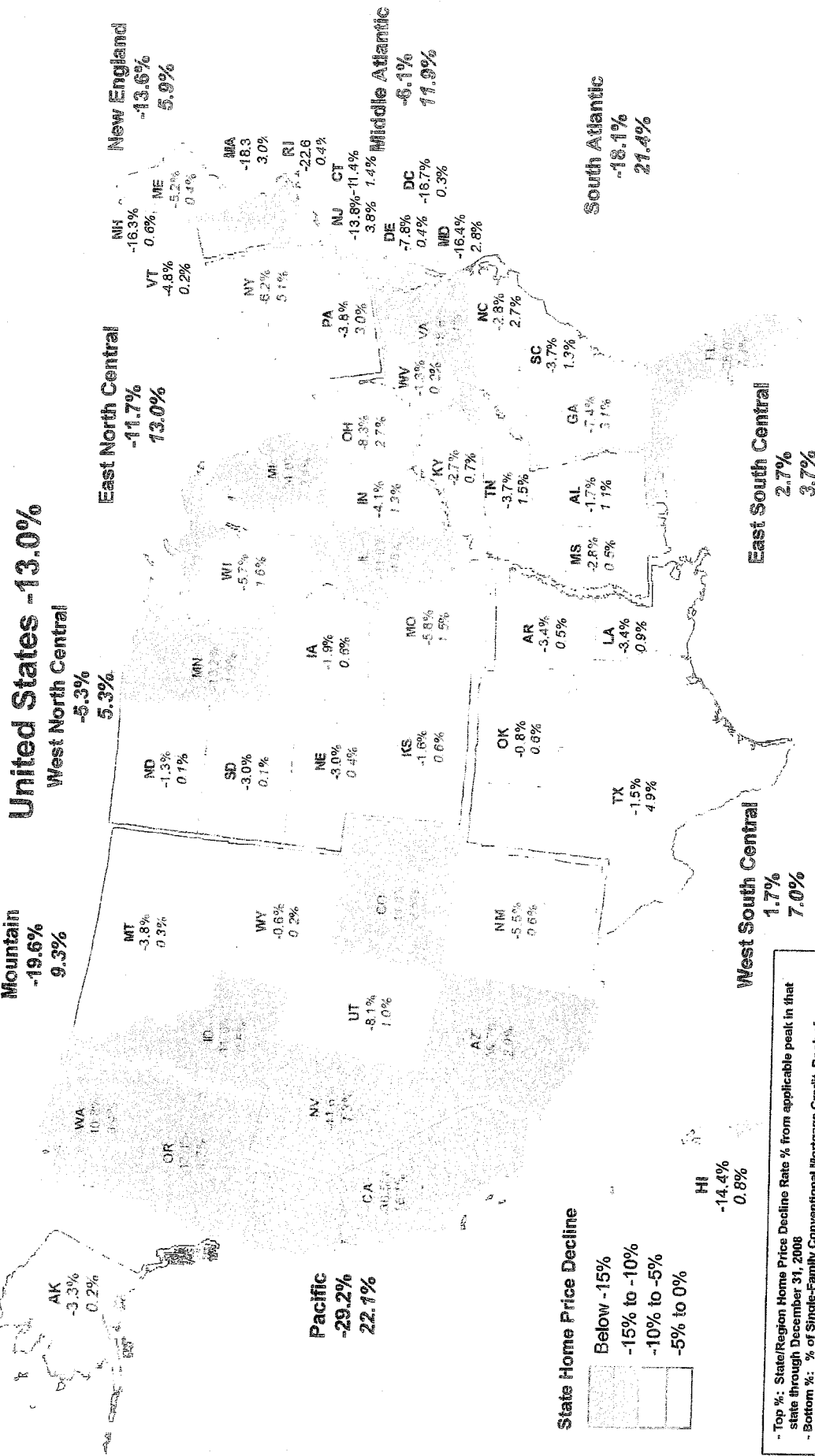


Source: Mortgage Bankers Association National Delinquency Survey



# Home Price Declines Peak-to-Current (by State) as of 2008 Q4

Percentage of Fannie Mae's Single-Family Conventional Mortgage Credit Book of Business

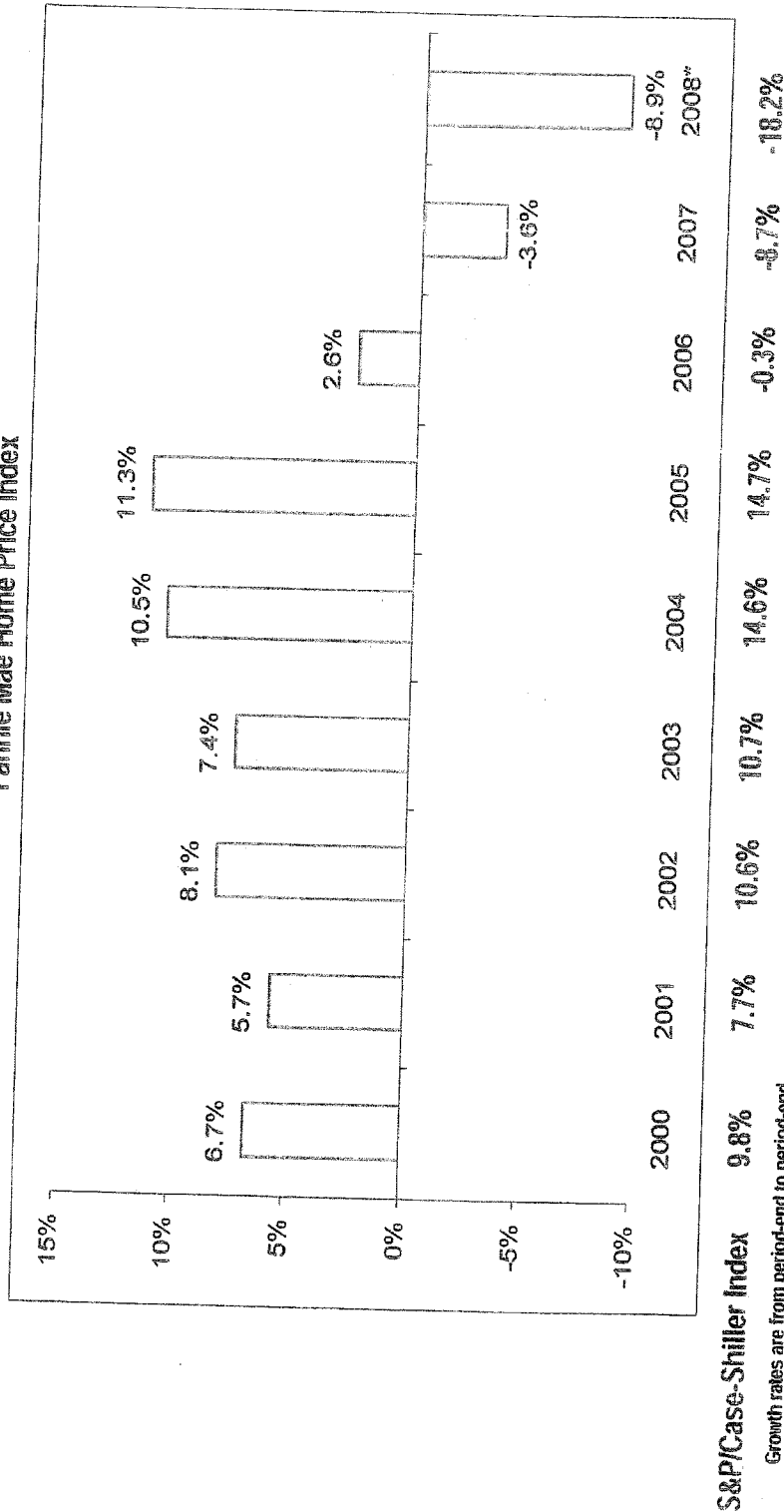


Note: Regional home price growth percentages are a housing stock unit-weighted average of home price growth percentages of states within each region.

Source: Fannie Mae. Initial estimate based on purchase transactions in Fannie-Freddie acquisition and public deed data available through the end of December 2008, supplemented by preliminary data available for January and February 2009. Including subsequent data may lead to materially different results.

# Home Price Growth/Decline Rates in the U.S.

Fannie Mae Home Price Index



S&P/Case-Shiller Index

Growth rates are from period-end to period-end.

\*Initial estimate based on purchase transactions in Fannie-Freddie acquisition and public deed data available through the end of December 2008, supplemented by preliminary data available for January and February 2009. Including subsequent data may lead to materially different results.

• We expect 2009 home price declines to be in the 7% to 12% range, based upon the Fannie Mae Home Price Index. This 7% to 12% range is comparable to a 12% to 18% range using the S&P/Case-Shiller index method.

• We expect peak-to-trough declines in home prices to be in the 20% to 30% range (33% to 46% using the S&P/Case-Shiller index method.)

Note: Our estimates differ from the S&P/Case-Shiller index in two principal ways: (1) our estimates weight expectations for each individual property by number of properties, whereas the S&P/Case-Shiller index weights expectations of home price declines based on property value, such that declines in home prices on higher priced homes will have a greater effect on the overall result; and (2) our estimates do not include sales of foreclosed homes because we believe that differing maintenance practices and the forced nature of the sales make them less representative of market values, whereas the S&P/Case-Shiller index includes foreclosed property sales. The S&P/Case Shiller comparison numbers shown above are calculated using our models and assumptions, but modified to use these two factors (weighting of expectations based on property value and the inclusion of foreclosed property sales). In addition to these differences, our estimates are based on our own internally available data combined with publicly available data, and are therefore based on data collected nationwide, whereas the S&P/Case-Shiller index is based only on publicly available data, which may be limited in certain geographies. Our comparative calculations to the S&P/Case-Shiller index provided above are not modified to account for this data pool difference.

# Four-Quarter Appreciation: 1991Q1 - Present

Montana

